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SUBJECT: CHINESE TELL BOUCHER STABILITY, SECURITY AND GOOD
NEIGHBORLINESS ARE TOP GOALS

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Classified By: Political Minister Counselor Daniel
Shields. Reasons 1.4 (b/d)

Summary

11. (C) Ministry of Foreign Affairs officials, academics, and oil industry professionals told Assistant Secretary for South and Central Asian Affairs Richard A. Boucher during his July 30 ? August 2 visit to China that stability and security are China's foreign policy goals in the Central and South Asia. Boucher responded that the best way to achieve long-term stability is to build democratic institutions and political openness. Chinese officials and the Shanghai Cooperation Organization Secretary General welcomed U.S. efforts to help stabilize the region and stressed their desire for better coordination and cooperation with the United States. Assistant Foreign Minister Li Hui proposed establishing a United States-China-India trilateral mechanism to discuss issues of mutual concern. Boucher and ministry officials noted the usefulness of the consultations and agreed to convene again in the future. End Summary.

South and Central Asia Subdialogue with Li Hui

12. (C) Assistant Secretary for South and Central Asian Affairs Richard A. Boucher and Assistant Foreign Minister Li Hui held U.S.-China South and Central Asia sub-dialogue consultations on July 31. Li, focusing first on Central Asia issues, emphasized that the United States and China have a common interest in Central Asian stability and development, arguing that security is of paramount importance for the Central Asian nations. The international community must support Central Asia in the fight against "the three evils" of extremism, separatism and terrorism with "strict preventative measures." Li insisted that democracy is not the pressing issue right now and

outsiders are not in a position to comment on Central Asian countries' decisions on how best to achieve stability. Central Asian countries have unique histories and cultures and will realize the goal of democracy differently from Europe and the United States, Li said. Boucher responded that the best way to achieve long-term stability is to build democratic institutions and political openness. The U.S. goal is to ensure that Central Asian nations can act independently in the international arena rather than be dominated by the interests of one country or one set of economic interests. This is why we are promoting links between Central Asia and South Asia, Boucher said.

East Turkistan Liberation Organization

13. (C) Li spoke at length about the East Turkistan Liberation Organization, which he claimed has close relations with Al-Qaeda and poses a threat to Central Asia. He stated that the group has carried out more than 300 attacks in Xinjiang and more than 100 attacks outside China, many directed at Chinese diplomats and private citizens. The East Turkistan Liberation Organization recently announced its intention to "sabotage" the 2008 Olympics, according to Li, who stressed Beijing's disappointment at U.S. action to put a hold on designation of the group by the Security Council 1267 Committee. He asked that the United States lift the hold in light of the "hard evidence" Beijing has provided. Boucher replied that the United States has already listed an East Turkistan organization, the East Turkistan Independence Movement. However, in the case of the East Turkistan

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Liberation Organization, China's evidence has yet to be independently confirmed. The United States has worked with other countries to try to validate Beijing's evidence but these efforts have been unsuccessful. The United States is spending considerable money investigating the organization. This is an important area that our security services should continue to discuss, Boucher stated.

Russia's Role in Central Asia

14. (C) Li said the People's Republic of China does not seek to dominate Central Asia, believes the region should be "open and transparent" and opposes deliberate efforts to create regional division and confrontation. Russia strongly influences Central Asia through trade, political, economic, military, cultural and historical ties, said Li, stressing that Central Asian nations need Russian political and security cooperation. China believes Russia is an important force for stability and security and respects the significance of Russia's past role in the region, Li said.

Shanghai Cooperation Organization

15. (C) Li denied the Shanghai Cooperation Organization wants to become a "new NATO," arguing that it has never established any political or military structures. He rejected reports that member states need permission to conduct exchanges with non-member states, arguing instead that the organization is open, all its members are equal and all have the full freedom to carry out activities without restriction. Boucher replied that we welcome the organization's anti-terrorism efforts and stressed that U.S. military bases and security agreements in

the region designed to fight terrorism are good for everyone, including Russia and China. Li said that China has noted the United States' military and security cooperation in the region and understands the need for temporary stationing of troops. Our troop levels and basing, however, should be "rational and proportionate," and take into account the concerns of China and other neighbors.

Kazakhstan, Kyrgyzstan and Tajikistan

16. (C) Li emphasized that Kazakhstan, a key player in Central Asia with a high level of comprehensive national strength, is pursuing stable, reform-oriented policies. Boucher highlighted positive trends in Kazakhstan to underscore the stabilizing effects and economic benefits of building democratic institutions. As for Kyrgyzstan, the nation is moving toward stability after the 2005 "Tulip Revolution," which Li termed the "March 24 Incident." Facing increasing challenges from the three evils, Kyrgyzstan needs international assistance to deal with these issues, Li argued. Tajikistan is stable and President Rahmonov has further consolidated his authority, enjoying broad support in advance of November elections. Li noted that the United States has strengthened military and security cooperation with Tajikistan. Boucher replied that we have been working closely with both Kyrgyzstan and Tajikistan on economic development and regional integration. He added that the United States successfully concluded basing discussions with Kyrgyzstan and has worked to build Tajikistan's counter-narcotics and border patrol capacity.

Turkmenistan and Uzbekistan

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17. (C) Commenting that Turkmenistan has been generally stable since independence, Li said the Chinese government expects it will remain so despite concerns about President Niyazov's health and Turkmenistan's overdependence on oil and gas revenues. Boucher countered by highlighting the isolated and opaque nature of the Turkmenbashi's government, noting the impact of declining social services. Turning to Uzbekistan, which China believes is "greatly important" to Central Asia, Li said President Karimov, a man of "strong character," enjoys "high authority" and is firmly in control, despite extremist activity in the Fergana Valley. A series of incidents, including the "terrorist acts" that precipitated the 2005 Andijan incident, are the work of extremists, Li asserted. Boucher stressed that Uzbekistan's stability may be temporary because its isolation has harmed its people and allowed Russian security interests and Gazprom's economic demands to compromise its sovereignty. The Andijan incident is much more complicated than a "terrorist" incident, Boucher pointed out, noting that the United States condemned the government's killing of hundreds of innocent demonstrators.

South Asia: General Views

18. (C) Li, noting the China's 4,700 km common border with South Asian states, stressed the importance of regional peace and stability to China's economic development and security. Expanding economic ties would particularly help western China's development and provide an opportunity for Chinese companies to go global. Beijing is promoting improved political ties through high-level visits and also hopes to strengthen

multilateral cooperation, such as through the South Asian Association for Regional Cooperation. While the region faces many problems, including the threat of terrorism, setbacks in the Sri Lankan peace process, territorial conflicts such as Kashmir and internal instability in Nepal, Li highlighted positive developments such as improving India-Pakistan relations and an increased emphasis on economic development. Boucher emphasized U.S. success in improving our traditionally strong relations with Pakistan and India, highlighting the positive impact on India-Pakistan relations. He described recent positive steps by India and Pakistan to address the Kashmir problem and noted U.S. interest South Asian regional free trade efforts. Boucher emphasized U.S. interest in cooperating with China to address common challenges in South Asia.

¶9. (C) Agreeing on the need to improve cooperation on South Asia, Li proposed establishing a United States-China-India trilateral mechanism to discuss issues of concern, as well as "dialogue mechanism" for the United States and China to exchange views on an ad hoc basis. He urged strengthening U.S.-China policy coordination, jointly fighting terrorists, separatists and religious extremists in the region and using the South Asian Association for Regional Cooperation as a platform to coordinate U.S.-China cooperation in South Asia. Boucher, welcoming efforts to improve bilateral cooperation, said the United States would consider Beijing's proposals.

India

¶10. (C) China welcomes the warming of relations between the United States and India, believing that good U.S.-India relations will contribute to regional peace and stability, Li said. Beijing welcomes India's adjustment of its strategic thinking, with New Delhi now emphasizing economic development as much as

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security. Li stated that China-India ties are improving and bilateral trade will exceed USD 20 billion this year. He stressed that China and India are partners, not competitors, dismissing the "theory" of China-India competition. Li added that improving China-India strategic ties are not targeted at any country.

¶11. (C) Boucher replied that India is both an important partner for the United States and an anchor of stability for the region. India is also an enormous economic force and an important technological partner. U.S.-India cooperation is growing quickly, he explained, noting the recent example of our agreement on civil nuclear cooperation. Boucher said the agreement is a realistic means of obtaining India's cooperation in international non-proliferation efforts. The agreement is good for non-proliferation, will help India's strategic position and relationships with other countries, will provide clean energy for India's development and will lessen India's impact on international oil and gas markets. Li responded that Beijing believes all countries can cooperate on the peaceful use of nuclear energy but hopes this cooperation will strengthen the global non-proliferation regime.

Nepal

¶12. (C) China believes the situation in Nepal is developing quickly. The seven-party alliance and "anti-government forces" have reached consensus on

major issues and are making arrangements for an interim government, Li said, although differences remain over the management of troops and weapons as well as whether Nepal should adopt a constitution or a republican form of government. China attaches great importance to Nepal's stability, but maintains a policy of non-interference and has no ties with the Maoists. Boucher said the United States is pushing for the restoration of the political process, but is concerned about Maoist intentions. The Maoists claim they wish to join the political process, but continue to behave violently. Stressing the importance of international support to the new government, Boucher stated that we have 40 million dollars available to assist Nepal.

¶13. (C) In a separate meeting, Ministry of Foreign Affairs Asia Department Director General Hu Zhengyue stated that the monarchy (though not the King) still appeals to many Nepalis, who must decide for themselves whether to retain it in some form. Hu said China has not resumed military assistance to Nepal and noted that economic assistance focuses on infrastructure and may include a hydroelectric dam project.

Pakistan-Afghanistan Relations

¶14. (C) Boucher said Pakistan and Afghanistan are confronting common challenges, pointing out that Al Qaeda and Taliban terrorists, drug dealers and tribal elements are fiercely resisting the Afghan government as it expands its authority beyond Kabul. Pakistan faces similar challenges, particularly in its border regions. Pakistan and Afghanistan are close U.S. partners in the war on terror and we encourage both countries to cooperate with each other, as Secretary Rice stressed during her July visits to Kabul and Islamabad. Boucher welcomed Chinese assistance to Afghanistan, noting China's recent pledge to provide Afghan police training and equipment. He asked if the Chinese government could provide more for the Afghan army and police and the Chinese responded that they

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had not been asked by the Afghan government to do so.

¶15. (C) Li said he believes Afghanistan's rebuilding efforts are advancing and the overall situation is improving, although the country faces many obstacles and China is increasingly affected by Afghan narcotics production and trade. During President Karzai's 2004 inauguration, Li observed Afghan warlords and government officials exchanging "big hugs." He wondered whether the warlords are faithfully implementing government policies and reconstruction programs. China has friendly relations with Afghanistan and Pakistan and has signed Treaties of Good Neighborliness and Friendly Cooperation with both. Sino-Pakistani relations are particularly important, Li explained, because Pakistan borders China's Xinjiang Uighur Autonomous Region and thus directly affects domestic stability and security.

Sri Lanka

¶16. (C) Boucher said the United States is working with Norway and the co-Chairs to support the peace process and is urging the Sri Lankan government to initiate peace proposals and reach out to its Tamil population. The United States is urging countries with large Tamil populations to disrupt the flow of finances and weapons to the Tamil Tigers, who have yet to commit themselves to the peace process. Li agreed

that national reconciliation is the only way forward and hopes the international community will urge both sides to return to negotiations.

Discussion with Chinese Scholars

¶17. (C) Chinese scholars at a roundtable discussion hosted by the Ministry of State Security-affiliated China Institutes of Contemporary International Relations argued that the U.S. policy of linking South and Central Asian issues is not likely to succeed because of great differences between, and within, the two regions. The scholars stated that the United States and China should work together to help India and Pakistan improve relations because instability in India-Pakistan relations has the potential to spill over into less stable countries in the region, such as Afghanistan. In response to a question about China's position on a rising India, one scholar responded that China welcomes India's rise in general, recognizing that it will have a significant impact on regional and global stability. He acknowledged traditional strains on the China-India relationship such as unresolved border disputes and India's mistrust of China's strategic intentions, but stated that China is concentrating on the positive aspects of the relationship.

Shanghai Cooperation Organization Perspective

¶18. (C) Shanghai Cooperation Organization Secretary General Zhang Deguang told Assistant Secretary Boucher August 1 that the organization has moved beyond initial goals of promoting confidence building, withdrawing military forces and resolving border disputes affecting the former Soviet Central Asian countries to become a multifaceted international organization. Now and in the future, it will address a broad range of political and economic issues, including trade and investment, energy, education, environmental protection, combating the spread of contagious disease, infrastructure building and information security. The organization is not so ambitious as to aim for a free trade zone, but is consulting with experts on the prospect of

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establishing limited customs-free zones in border towns to facilitate cross-border trade. It has held expert discussions on eliminating subsidies, facilitating cross-border container traffic and establishing a business council and a joint banking pool, while engaging in specific projects such as support for construction of roads and power plants.

¶19. (C) Concerns that the Shanghai Cooperation Organization could become a military alliance that excludes the United States are exaggerated, Zhang said, adding that he favors expanded consultation with the United States to avoid such misunderstandings. The organization will not follow the NATO model. Its security goal is simply to attack terrorism and extremism. The organization has no requirement that would prevent members from undertaking security cooperation activities with the United States, he said, although the spirit of the organization is that no member should act in a way that would damage other members' security interests. In fact, the organization's efforts to fight terrorism, drug trafficking and the spread of illegal weapons are points in common with the United States. Assistant Secretary Boucher agreed that China and the United

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States share many goals in the region. Both should support the independence of Central Asian nations and encourage their economic development, he said.

¶20. (C) Addressing Assistant Secretary Boucher's questions about the organization's relationship with non-members, Zhang said the group is considering establishing a new status of "dialogue partner" in addition to the current observer members and the Afghanistan Contact Group. During the Organization's June Summit, Afghanistan informally asked about becoming a full member, Zhang said. Observers cannot raise resolutions or participate formally in the discussion, but are expected to send representatives to meetings at the same rank as other member countries. The organization discusses third countries only as part of its evaluation of the overall security situation, consistent with its goal of maintaining peace and stability in the region, Zhang said.

Chinese Energy Firm's Views

¶21. (SBU) Assistant Secretary Boucher discussed Central Asian energy issues with Wang Dongjin, Assistant to the President of China National Petroleum Corporation International, Ltd. Wang said the company is doing business in 24 countries worldwide, with projects in countries including Azerbaijan, Kazakhstan, Turkmenistan, and Uzbekistan. The company's technological resources are one of its strengths when doing business abroad, according to Wang, who highlighted the business's use of proprietary Enhanced Oil Recovery technology in Kazakhstan to boost an oilfield's output from a forty year average of 2.3 million metric tons per year to some 6 million metric tons of production in 2005. This increased yield is part of the 400,000 barrels per day of crude oil that the company currently produces from its operation in Kazakhstan.

¶22. (SBU) Wang told Boucher that the company plans to further increase its business in Kazakhstan to help feed China's growing oil and natural gas needs. Kazakh oil fields currently send 200,00 barrels of crude oil per day to an oil refinery in western China through a recently opened pipeline built and operated by the business. The company expects that total to climb to 400,000 barrels per day in the future. As a part of the effort to increase the volume of imports from Kazakhstan, the company recently proposed the construction of an additional 1,300 kilometer of

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pipeline. The pipeline would connect oil fields in east Kazakhstan to the newly operational Sino-Kazakh pipeline that draws on production from the western part of the country. The company estimates that its pipeline construction subsidiary, using a combination of Chinese, Kazakh and Russian workers, could build the pipeline in one year. Wang also noted that the company is pursuing an opportunity to share in oil and natural gas production from ChevronTexaco projects in Kazakhstan.

¶23. (SBU) Wang hopes that the company's possible joint venture with ChevronTexaco along with other natural gas projects elsewhere in Central Asia can serve as a hedge against the apparent plan of Russian energy company Gazprom to control the Central Asian natural gas market. He noted that Gazprom's current Central Asian natural gas production is shipped to Russia as a cheap substitute for domestic natural gas production exported to Europe at premium prices. If Gazprom gains control of Central Asia's natural gas production, China would probably be forced to pay the

same price as European customers for Gazprom's natural gas, regardless of whether it is produced in Russia or Central Asia. To avoid this situation, the company is prepared to connect its natural gas pipeline running from western China to Shanghai to natural gas production in Central Asia. The company also is prepared to build a second pipeline that could move Central Asian natural gas to customers in southwestern China. Wang said that the company recognizes that there are inherent risks in pursuing energy projects in Central Asia. For example, if the company wins production rights to natural gas fields in Turkmenistan, to get the gas to China they would probably be forced to build a pipeline through Kazakhstan rather than along a much shorter route through Uzbekistan because of Uzbek-Kazakh political tensions. Wang said the company conducts frequent and extensive risk assessments to ensure that they recognize and address such situations when pursuing business in Central Asia or elsewhere in the world.

¶24. (U) Assistant Secretary Boucher cleared this cable.

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